

## Message Text

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ORIGIN EA-14

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03

COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11 INT-08 L-03

NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02 JUSE-00

EUR-25 NEA-14 /186 R

DRAFTED BY EA/IMS:ARDORNHEIM:CCH

APPROVED BY EA - MR. EDMOND

EA/IMS - MR. INGRAHAM

EB/ORF/FSE - MR. RAICHT

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R 192114Z SEP 74

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 206802

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: WIJARSO VISIT

REF: JAKARTA 11190

1. WIJARSO MET WITH BOSWORTH, DIRECTOR EB/ORF/FSE, AND EDMOND (EA) MORNING SEP 17. ACCOMPANIED BY ADIWOSO FROM GOI EMBASSY.

2. BOSWORTH OUTLINED FOR WIJARSO SHORT AND LONG RUN OBJECTIVES OF OIL CONSUMING COUNTRIES. IN RESPONSE WIJARSO QUERY, BOSWORTH STATED HIS BELIEF THAT MAJOR OIL COMPANIES ALMOST CERTAIN TO PASS THROUGH TO CONSUMERS RECENT 33-CENT PER BARREL OPEC ROYALTY/TAX HIKE. WHILE WE COULD NOT SPEAK AUTHORITATIVELY ON OIL COMPANY PROFITS, OUR BEST INFORMATION INDICATES THAT AVERAGE PROFITS PER  
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BARREL ON GLOBAL OPERATIONS FOR MAJOR COMPANIES DO NOT

EXCEED 50 CENTS, CONTRARY TO APPARENT BELIEF OF MANY OPEC MEMBERS THAT PROFITS WERE MUCH HIGHER. (HERE WIJARSO MENTIONED GOI'S ACCEPTANCE OF A 2 DOLS 50 CENTS PER BARREL AFTER-TAX PROFIT FOR OIL COMPANIES.) BOSWORTH POINTED OUT THAT HIGH OIL PRICES ARE A MAJOR FACTOR IN GLOBAL INFLATION EVEN THOUGH EXACT MEASUREMENT IS DIFFICULT. THESE PRICES ALSO CONTINUE TO FUEL EXPECTATIONS OF FURTHER INFLATION.

3. WIJARSO TOLD EDMOND THAT OPEC MEMBERS HAD PERCEIVED NO NEED FOR "PRODUCTION PROGRAMMING" (I.E., PREDETERMINED CUTBACKS). ONLY IF THERE WERE AN "INTENTIONAL SURPLUS", WOULD THERE BE NEED FOR MUTUAL, CORRECTIVE ACTION. VOLUNTARY CUTBACKS BY SOME OPEC COUNTRIES, IN RESPONSE THEIR INDIVIDUAL MARKET SITUATIONS, WERE PROVING SUFFICIENT FOR NOW. INDONESIA IS HAVING NO PROBLEMS WITH ITS CRUDE LIFTINGS, ONLY WITH ITS PRODUCT LIFTINGS (I.E., LOW SULFUR WAXY RESIDUE) BECAUSE OF SHORTAGE OF JAPANESE STORAGE CAPACITY. CRUDE OUTPUT IN AUGUST AND SEPTEMBER WILL THEREFORE BE DOWN BUT WILL REBOUND IN OCTOBER.

4. INDONESIA NOT WORRIED, WIJARSO SAID, ABOUT OIL COMPANIES MAKING 2 DOLS 50 CENTS A BARREL AFTER-TAX PROFIT, BECAUSE GOI WANTS TO LEARN FULL EXTENT OF ITS PETROLEUM RESOURCES AND ONLY WAY TO DO THIS IS TO ALLOW OIL COMPANIES PROPER INCENTIVE TO EXPLORE.

5. DISINGENUOUSLY, WIJARSO STATED THAT IF FOREIGN OIL COMPANIES SHOW THEY WILL ABSORB NEW OPEC-RECOMMENDED 3.5 PERCENT (33-CENT A BARREL) ROYALTY/TAX INCREASE, THEN GOI WILL LEAVE PRESENT PRICES AND PROFIT-SHARING RATIOS AS THEY ARE. IF ROYALTY/TAX INCREASE IS PASSED THROUGH TO CONSUMERS, THEN GOI WILL ADJUST PRICE. GOI APPEARS SATISFIED WITH CURRENT PROFIT-SHARING RATIOS.

6. RE PACIFIC LIGHTING CONTRACT, WIJARSO INTIMATED TO EDMOND THAT GOI/PERTAMINA AGREEMENT TO EXTEND CONTRACT TO END OF YEAR DONE LARGELY IN RESPONSE TO AMBASSADOR'S URGINGS. EXPECTING NO MEANINGFUL COUNTEROFF FROM PL, INDONESIANS WISH TO TERMINATE CONTRACT AND BE FREE TO CONFIDENTIAL

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MOVE AHEAD. GAS FROM IRIAN JAYA, WIJARSO INDICATED, WOULD PROBABLY MEET PL'S COST PROBLEMS BETTER THAN ACEH GAS.

7. IN LATER CONVERSATION WITH PERTAMINA'S BENSON, DEPTOFF LEARNED THAT PL'S TODD AND IBNU MET PRIVATELY AT HONOLULU RECENTLY. TODD INDICATED DEEPENING PL INTEREST IN IRIAN JAYA GAS. BENSON SAID IBNU, FOR HIS

PART, IS TOYING WITH IDEA OF JOINT VENTURING WITH GREEK  
SHIPOWNERS TO BUILD AND OWN LNG TANKERS. KISSINGER

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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